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SUBJECT: MEDVEDEV CULTIVATES KAZAKHSTAN

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[1](#)B. MOSCOW 470

Classified By: Charge d'Affaires, a.i. Daniel Russell for reasons 1.4 (b) and (d).

[1](#)1. (C) Summary: Medvedev's first official state visit will be to Astana on May 22-23, underscoring Russia's overarching focus on its neighborhood and particular attention to Kazakhstan. Previewing the visit, MFA Third CIS Director Peshkov stressed protocol over deliverables, emphasizing that Medvedev aimed to continue Putin's course of building a personal relationship with Nazarbayev, while underscoring the benefits of continued close ties with Russia. Specifically, MFA officials and experts told us Russia seeks to use its large energy market and growing trade to deepen its ties, as Kazakhstan continues to stake out its own "multivector" foreign policy that balances interests with the U.S., EU and Russia. Also on the agenda will be political-military cooperation, both bilateral and in the framework of the Collective Security Treaty Organization (CSTO) and the Shanghai Cooperation Organization (SCO), along with space cooperation, migration issues, and strengthening the two countries' cultural ties. End Summary.

Medvedev Woos Nazarbayev

[1](#)2. (C) In a clear signal of the value Russia attaches to maintaining influence in its neighborhood and ballast in its relationship with Kazakhstan, Medvedev's first official visit will be to Astana on May 22-23. (Note: From Astana he will travel to Beijing.) During the electoral campaign, Medvedev promised that his first official visit would be to a CIS country, with experts noting that Kazakhstan was the least controversial stop, with all the importance but little of the baggage of Ukraine. According to the Director of the MFA's Third CIS Department Maksim Peshkov, Medvedev personally chose the destination so he could build a strong relationship with Nazarbayev, whom he did not know well prior to becoming president. Peshkov said that protocol, rather than deliverables, would frame the visit, with Medvedev seeking to build the same special relationship enjoyed by Putin. The Putin-Nazarbayev relationship was grounded in frequent consultations, with over 25 visits over the last four years.

[1](#)3. (C) The selection of Astana also reflects a determined Russian courting of Nazarbayev, whose adroit diplomacy evokes admiration mixed with envy. Andronik Migranyan, a political analyst close to the Kremlin, argued that unlike Russia, Kazakhstan had managed to establish a "normal" relationship with the West. In contrast to Russian leaders, the analysts argue, Nazarbayev can read the signals from Washington and, unlike Putin, Nazarbayev knows what he wants to achieve with his Euro-Atlantic partners. Russian officials and analysts

paint the Kazakh leader as on a charm offensive with the EU, the U.S, China, and Turkey, while staying nominally loyal to Russia. MFA Third CIS Department official Marina Berukova told us that discussions between Medvedev and Nazabayev inevitably will touch on the implications of Kazakhstan's "multi-vector diplomacy." While the GOR fully supported Kazakhstan's efforts to develop ties with the United States and China, Berukova stressed this was the case "as long as Kazakhstan's ties with Russia are not weakened." Labeling Kazakhstan a "strategic partner," experts acknowledged frustration generated by Russian competition with Astana for influence in the region, and by as well as the need to compete with China and the U.S. for influence in Kazakhstan.

Energy Tops the Agenda

14. (SBU) Substantial oil and gas reserves make Kazakhstan a natural object of attention for Transneft and Gazprom, and for Gazprom's former Executive Board Chairman Medvedev, as Russia seeks continued access to these resources to meet export commitments. Kazakhstan's growing energy production puts it in an enviable position vis-a-vis Russia, and Astana's efforts to wean itself from its traditional dependence on Russian energy export infrastructure means that Moscow cannot take Nazarbayev for granted. As the GOR builds infrastructure to export oil and gas directly to its customers and bypass potentially troublesome transit countries, it seeks to maintain its position as the primary transit country for Central Asian resources. It is for these

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reasons that experts told us Gazprom, and not the MFA, was the main conductor of Russian foreign policy in Central Asia, including Kazakhstan. Kazakhstan's ability to encourage investment from a multitude of countries, including the U.S., has kept Russia off-balance and Moscow has never become the primary foreign direct investor in Kazakhstan, and is forced to seek joint production projects and accept some Kazakh independence vis-a-vis export routes.

15. (C) In advance of the Medvedev visit, on May 7 Russian Energy Minister Viktor Khristenko and his Kazakh counterpart Sauat Mynbayev signed a deal to double the capacity of the CPC pipeline, in which Russia holds a 24 percent stake. The deal is mutually-beneficial: Russia made a play to dominate Kazakh oil transit while Kazakhstan gets to expand its oil exports. The other nine members of this international consortium, however, were left out. Negotiations to expand the capacity of the CPC have been ongoing since 1996, with Russia being the main hold-out as it argued that proposed plans would not earn the consortium enough money. While Nazarbayev and Putin had agreed in principle in December 2007 to expand CPC capacity (ref A), no official agreement was signed. The details of the May 7 agreement are not fully known, but some insiders have told us that it calls for the removal of all expatriates who run the consortium within the next two years. Also, tariffs would be raised by at least USD 20 per metric ton of oil exported through the pipeline. Several oil executives involved in the negotiations told us that the CPC deal was made only after several oil companies agreed to stop pursuing the expansion of the pipeline and seek other routes to ship Kazakh oil (ref B). The May 7 deal is therefore interpreted by some to be an "opening bid" and a signal to perhaps start serious negotiations about pipeline expansion.

16. (C) Kazakhstan's "diversification" efforts are nonetheless preceding hand-in-hand with cooperation with Russia, as reflected in the expected launch of a gas processing plant in Orenburg which will refine hydrocarbons from Kazakhstan's Karachaganak gas field. The two countries have opened their first joint venture to enrich uranium in Angarsk, East Siberia, as part of Moscow's initiative to create a network of enrichment centers that will also be responsible for the

disposal of nuclear waste. Two other uranium enrichment centers in Kazakhstan are expected to forge joint ventures with Russian counterparts, as well.

Euro-Atlantic or Eurasian Orientation?

¶7. (C) The MFA confirmed that Medvedev will discuss Kazakhstan's plans for its 2010 OSCE chairmanship, with DFM Grushko having traveled to Astana on May 16 to preview discussions, and an MFA press release noting that Russia would offer "full support to Kazakhstan's effort" to prepare for and carry out its chairmanship. At the November 2007 OSCE Ministerial, however, Moscow was dismayed that Kazakhstan cut a deal and supported the U.S. against a Russian proposal to reform the OSCE Office of Democratic Institutions and Human Rights in order to secure U.S. support for Kazakhstan's bid to become the 2009 OSCE chair.

¶8. (C) Medvedev will reinforce Russia's call for reform of the Human Dimension, which it believes is disproportionately focused on former Soviet republics. Experts nevertheless told us that Nazarbayev's independence -- whether in seeking to junk some of the CIS' outmoded structures or in reaching out to China and the U.S. -- sometimes rub against Russian sensibilities, even as Kazakhstan remains an active member of both the CSTO and SCO.

Strengthening Economic Ties

¶9. (C) Peshkov stressed that Medvedev will encourage continued growth in bilateral trade, which grew by approximately 30 percent in 2007 to more than USD 16 billion.

Russia continues to encourage economic cooperation via the Eurasian Economic Community (EurAsEC) and during a EurAsEC interstate council meeting on January 25, Russia, Belarus, and Kazakhstan signed memoranda of understanding to get a long-discussed customs union up and running by 2010. Grozin of the CIS Institute argued that these documents did little to actually create a customs union, but gave Russia an opportunity to promote its leadership in the region by

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offering concrete benefits for cooperation. Indeed, Kyrgyzstan, Tajikistan, and Uzbekistan have expressed interest in joining the initiative.

Deeper Political-Military Cooperation

¶10. (U) Russia sees growth potential in its arms relationship with Kazakhstan, which totaled USD 300-500 million in 2007. Kazakhstan Defense Minister Danial Akhmetov on May 12 announced that his government has promised Russian arms companies lucrative contracts, with the media reporting that RosOboronExport was selected as the sole supplier for the Kazakh navy. Small naval vessels will be constructed at the Kazakh-Russian joint venture wharf "Zenith" in Uralsk, Western Kazakhstan, while larger vessels will be built in St. Petersburg and Tatarstan. Akhmetov also said Kazakhstan would purchase the Russian-made S-300 Favorit air defense missile system in the near future, and, eventually, the S-400 Triumph.

¶11. (C) Further security cooperation in the CSTO and SCO will also be addressed during Medvedev's visit. In 2007 Kazakhstan participated in both the CSTO's Operation Canal anti-narcotics interdiction campaign and the SCO's "Peace Mission 2007" anti-terrorist exercises. CSTO membership, Berukova said, allows Kazakhstan to buy Russian weapons at domestic Russian prices and to send its military officers to Russian military academies for training. As a common defense

force, it gives Kazakhstan secure borders with its fellow CSTO members. Marat Sysdykov, Political Counselor of the Embassy of Kazakhstan, told us that by keeping Russia close, Kazakhstan strengthened its hand when dealing with China, with whom it inherited a border dispute from the Soviet era. He added that, despite the aims of some Russian officials, Kazakhstan has no desire to see the CSTO compete with NATO.

Space Is the Place

¶12. (C) The experts as well as officials from the Russian MFA and Embassy of Kazakhstan agreed that space cooperation remained an important component of the Russia-Kazakhstan relationship. Indeed, local media report that Medvedev will sign agreements on the "peaceful exploration of space" and Russia's Glonass navigation network during his trip. This comes despite Putin's April 2008 announcement that Russia needed to have "guaranteed access to space," which would mean launching rockets from Russia, rather than Kazakhstan. Echoing this, Anatoliy Perminov, Head of RosKosmos, said all manned space programs would be transferred to the Vostochny cosmodrome in Russia's Far East region of Amur by 2020. Some analysts interpret this as a ploy to perhaps renegotiate the USD 115 million per year in rent the GOR pays Kazakhstan for use of Baikonur. Independent of political concerns, simple physics favors keeping the launch site at Baikonur because of its southern location. Russia's lease on Baikonur runs until ¶2050.

¶13. (C) Berukova confirmed media reports that Russia agreed to pay Kazakhstan USD 2.4 million in compensation for environmental damage caused by the crash of a Proton-M rocket, launched from the Baikonur cosmodrome in September ¶2007.

Migration Issues

¶14. (C) Since the end of the Soviet Union, more than 2.5 million ethnic Russians have resettled in the Russian Federation from Kazakhstan, with over 40,000 immigrants (both Russian and Kazakh) arriving in 2007. According to Peshkov, there are tensions on both sides generated by the question of migration. While many of the recent arrivals had difficulties assimilating despite their ethnicity, the fact that most Russians coming from Kazakhstan are well-educated has contributed to brain drain in Kazakhstan. Peshkov acknowledged that Russian efforts to attract these desirable immigrants remains a sore point, with both Russia and Kazakhstan "destination" countries for impoverished Central Asian labor. Peshkov told us Russia was also concerned about migrants to Kazakhstan, who then travel onward to Russia and even to Western Europe. According to Russian MOI figures, no

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Kazakhs have been victims of hate crimes in 2008, unlike migrants from other Central Asian countries.

Cultural Links

¶15. (C) Peshkov stressed that Russia and Kazakhstan enjoyed close cultural ties, fueled by the strength of the Russian language in Kazakhstan. At an international conference on the Russian language in CIS countries held in February, a representative of the Kazakhstan Strategy Center For Socio-Political Research reported that 57 percent of Kazakhs speak and write Russian fluently. A full 80 percent of Kazakhs claim some degree of Russian proficiency, according to the report. From September 21, 2007, to October 19, 2007, over 100 Russian teachers, 15 university representatives, and

others from Kazakhstan and Russia took part in the "Days of Russian Language and Russian Culture in the Republic of Kazakhstan" festival. There are also exchange programs for students and clerics as well. Peshkov told us, however, that Russia does not consciously seek to cultivate ties between Russia's Muslim communities and Muslims in Kazakhstan.

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